

Finding that it was unlikely that my recommendations would be carried into effect in season, I found it necessary again to communicate with the Assembly. I made a frank statement of the condition of affairs. Owing to causes, which all understand, we cannot borrow money at par at the commercial centres without a pledge of collaterals. In my report in November last, I proposed that coupon bonds of the State, payable to bearer should be authorized to be kept in the Treasury, and used as collaterals, whenever temporary loans should be needed. But an assault was afterwards made upon the bonds issued under authority of a law passed in August last, for the benefit of the Chatham Rail Road on the ground, that they were unconstitutional. This assault, although probably it was not so intended by the assailants, produced such a profound distrust of all issues under recent acts that the Stock Board of New York refused to regard as good deliveries, any North Carolina bonds dated since April 1st, 1868. It was too late to prepare and issue new bonds to be used as collaterals, and then take steps to procure a revocation of this resolution of the Stock Board. Therefore, actuated by an intense anxiety to avoid the disrepute of non-payment of interest, I was forced to seek for other securities, which might be available.

I was assured that money might be raised on a pledge of the interest owned by the State in various Rail Road Companies. I could not, and cannot now, see how such a transaction could inflict loss to the State, *provided the General Assembly intend to pass an adequate revenue act*. Nothing is more common than to borrow money on collaterals. Indeed, this has become a favorite mode of effecting temporary loans in all our commercial cities. Of course the collaterals are required to be of greater value than the amount of the loan. I was bound to assume that, after the General Assembly had passed an act in August last, directing me to begin paying interest in October, and to continue thereafter without interruption, it was their *bona fide* intention to provide the necessary funds for carrying into effect such directions. And if the Revenue Act re-